Orderly Liquidation of Stocks of Agricultural Commodities Held by the Commodity Credit Corporation and the Expansion of Markets for Surplus Agricultural Commodities

An annual report by the
Secretary of Agriculture
in response to Section 201 (b),
Public Law 540, 84th Congress

United States Department of Agriculture
Washington, D. C. 20250
February 1967

This report is in response to the following parts of Section 201(b), Public Law 540, 84th Congress, approved May 28, 1956:

". . . The Secretary shall report annually on his operations under subsection (a) and such reports shall show--

(1) the quantities of surplus commodities on hand;

(2) the methods of disposition utilized and the quantities disposed of during the preceding twelve months;

(3) the methods of disposition to be utilized and the estimated quantities that can be disposed of during the succeeding twelve months;

(4) a detailed program for the expansion of markets for surplus agricultural commodities through marketing and utilization research and improvement of marketing facilities; and

(5) recommendations for additional legislation necessary to accomplish the purposes of this section."

NOTE: Parts I, II and IV were written and compiled by the Office of the General Sales Manager, Foreign Agricultural Service on the basis of official figures furnished by the Fiscal and Budget Divisions of the Agricultural Stabilization and Conservation Service.

The topical sections of Part III were written by various agencies of the Department as indicated below:

Utilization Research and Development - Agricultural Research Service
Expanding Domestic Markets - Economic Research Service
Improvement of Marketing Facilities - Consumer and Marketing Service
Promotion of Exports - Foreign Agricultural Service and Economic Research Service
Farmer Cooperatives - Farmer Cooperative Service
Forest Products Marketing and Utilization Research - Forest Service

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PART I

QUANTITIES OF SURPLUS COMMODITIES ON HAND; SALES AND DISPOSITION METHODS USED; AND QUANTITIES OF CCC COMMODITIES MOVED INTO CONSUMPTION CHANNELS

This year's sales activities and inventory operations have resulted in the lowest year end cost value of all inventories since FY 1954. Except for cotton and tobacco, the problem of burdensome agricultural surpluses no longer exists. As of June 30, 1966 the total cost value of CCC price support inventories was $3.1 billion, down $.8 billion from June 30, 1965. During Fiscal Year 1966, CCC sold or otherwise disposed of commodities with a cost value of $2.3 billion (excluding inventory carrying charges). Sales of grains, particularly wheat and grain sorghums, were such that, at the end of the year, CCC inventories of grains were below a generally acceptable normal carryover.

CCC'S PRICE SUPPORT INVESTMENT

In spite of a 2.7 million bale increase in inventory of cotton, CCC's investment in price support loans and inventories was reduced to $5,312,283,600 as of June 30, 1966 compared with $6,386,626,712 as of June 30, 1965 a reduction of $1,074,343,112. Commodities pledged for loans decreased from $2,494,386,485 to $2,199,351,379 (see Table I which shows total CCC investment in commodities pledged for loans and commodities in inventory as of June 30, 1966).

Composition of the total CCC inventory and changes in the inventory from Fiscal Year 1962 through 1966 are shown in Table 2.

CCC inventories of upland cotton increased from 6,639,909 bales in 1965 to 9,292,971 bales in 1966. Wheat dropped from 646,309,505 bushels to 340,310,179 bushels. Corn decreased from 482,973,888 bushels to 279,662,628 bushels. Grain sorghums declined from 564,302,246 bushels to 419,948,704. Stocks of other grains, dairy products and rice are virtually exhausted.

Tobacco under loan decreased from 1,149,363,837 pounds to 1,018,191,813 pounds. Cotton and tobacco remain as the only two commodities in excess supply. See Charts 1 and 2.

CCC SALES PROGRAMS AND DISPOSAL METHODS

CCC sells or otherwise disposes of its commodities through five major outlets: Commercial Sales for U.S. Dollars, Payment-in-Kind

Programs, Barter, Sales for Foreign Currencies and Dollars under Public Law 480, Transfers and Donations. In its sales and disposal operations, CCC utilizes, insofar as practicable, the customary facilities and arrangements of trade and commerce. Under the above programs CCC has developed various sales methods which are summarized by commodity in Table 3.

Composition of these sales and dispostions for Fiscal Year 1966 are shown in Table 4.

Tobacco price support activity for Fiscal Year 1966 including sales and liquidation of tobacco under loan are shown in Table 5.

1. DOLLAR SALES

(a) Commercial Dollar Sales

Commercial dollar sales accounted for 23% of total CCC dispositions during Fiscal Year 1966, down 6% from the 29% dollar sale proportion for the previous year. (See Table 6). This decrease was due to the continued operation of the payment-in-kind programs.

Dollar sales under the CCC Export Credit Sales Program more than doubled to reach a total of $209,959,801. (See Table 7). In February 1966, the program was revised to permit acceptance of foreign bank obligations. Corn, grain sorghums, wheat and cotton were the largest selling commodities.

Overall commercial dollar sales were 25% below Fiscal Year 1965 because of continued use of payment-in-kind programs.

(b) Dollar Credit Sales Under Title IV, PL 480 Sales Agreements

The estimated export market value of commodities and applicable ocean transportation costs included in Title IV government-to-government agreements or amendments to agreements entered into during Fiscal Year 1966 was $310.5 million compared with $209.7 million in Fiscal Year 1965, $118.1 million in 1964, $87.2 million in 1963, and $56.7 million in 1962. Exports of commodities under all Title IV government-to-government agreements totaled $194.4 million in Fiscal Year 1966 compared with $172.8 million in 1965, $47.6 million in 1964, $60.0 million in 1963 and $19.4 million in 1962.

From the date the first Title IV government-to-government agreement was signed in August 1961 through June 30, 1966, a total of 98 agreements, amendments and extensions of such agreements have been entered into with the governments of 31 countries, providing for the export financing

of surplus agricultural commodities valued at $782.2 million including applicable ocean transportation costs. The total market value of commodities exported through June 1966 under these agreements, including applicable ocean transportation costs, was approximately $494 million. Through the same date, total repayments by foreign governments have totaled $56.7 million of which $44.8 million represented amortization of principal amounts financed by CCC and $11.9 million was interest.

Under the Title IV, PL 480 Private Trade provisions, Commodity Credit Corporation had entered into long-term supply and credit agreements with six private trade entities. As of June 30, 1966 approximately $4.7 million worth of commodities has been exported out of the total of $45.4 million included in those agreements.

2. PAYMENT-IN-KIND PROGRAMS

(a) Feed Grain Program

Dispositions of feed grains under this program accounted for 25% of total CCC dispositions during Fiscal Year 1965. (See Table 6). This program was designed to cut back production of feed grains, (thereby reducing CCC costs and costs to the taxpayer) but at the same time also assure feed grain producers improved farm income. The program provides for the voluntary reduction of feed grain acreage from the 1959-60 base. Producers who comply with the program are eligible for price support and in certain cases are eligible for diversion payments. Cooperators who make the necessary acreage reductions receive certificates which may be redeemed in feed grains or, if they request the assistance of CCC in marketing their certificates, CCC pays them the dollar amount of their certificates. Non-cooperators are not eligible for price support. Through sale of certificates rights CCC recovers the money paid to producers. Redemptions of certificate rights during the marketing year were made at market prices but not less than the loan rate plus reasonable carrying charges. Redemptions are not subject to Section 407 of the Agricultural Act of 1949 which requires that CCC not sell for unrestricted use any basic agricultural commodity or storable non-basic commodity at less than five percent above the current support price plus reasonable carrying charges.

(b) Export Payment-in-Kind

Dispositions under these programs accounted for 14% of the total CCC sales and dispositions during Fiscal Year 1966. (See Table 6). This doubled last year's figure and reflects the higher level of U.S. exports of grain for this period. Feed grains continued to be fully competitive in world markets and required no export payment allowances.

Quantities of commodities from commercial stocks earning payment-in-kind certificates and quantities of commodities redeemed from CCC stocks since inauguration of the payment-in-kind programs through June 30, 1966 are shown in Table 8.

3. BARTER

Barter transactions accounted for approximately 10% of the CCC dispositions during Fiscal Year 1966, and about doubled last year's total. (See Table 6).

The emphasis was upon procurement of material for other government agencies under barter transactions which resulted in increased movement of corn, cotton, and tobacco.

4. SALES FOR FOREIGN CURRENCIES

Title I, PL 480 sales are largely from privately-owned stocks and thus represent a negligible percentage of CCC's total dispositions. The quantities and values shown in Table 4 under PL 480, Title I column represent amounts of commodities redeemed by certificates earned under payment-in-kind programs for exportation of commodities shipped under Title I, PL 480 except where the commodity is not subject to a payment-in-kind program.

5. TRANSFERS AND DONATIONS

Transfers from CCC inventories to other U.S. government agencies and donations of surplus commodities for domestic and foreign use accounted for approximately 15% of all CCC sales and dispositions. Transfers were about $80 million and donations $57 million less than last year.

Chart 1

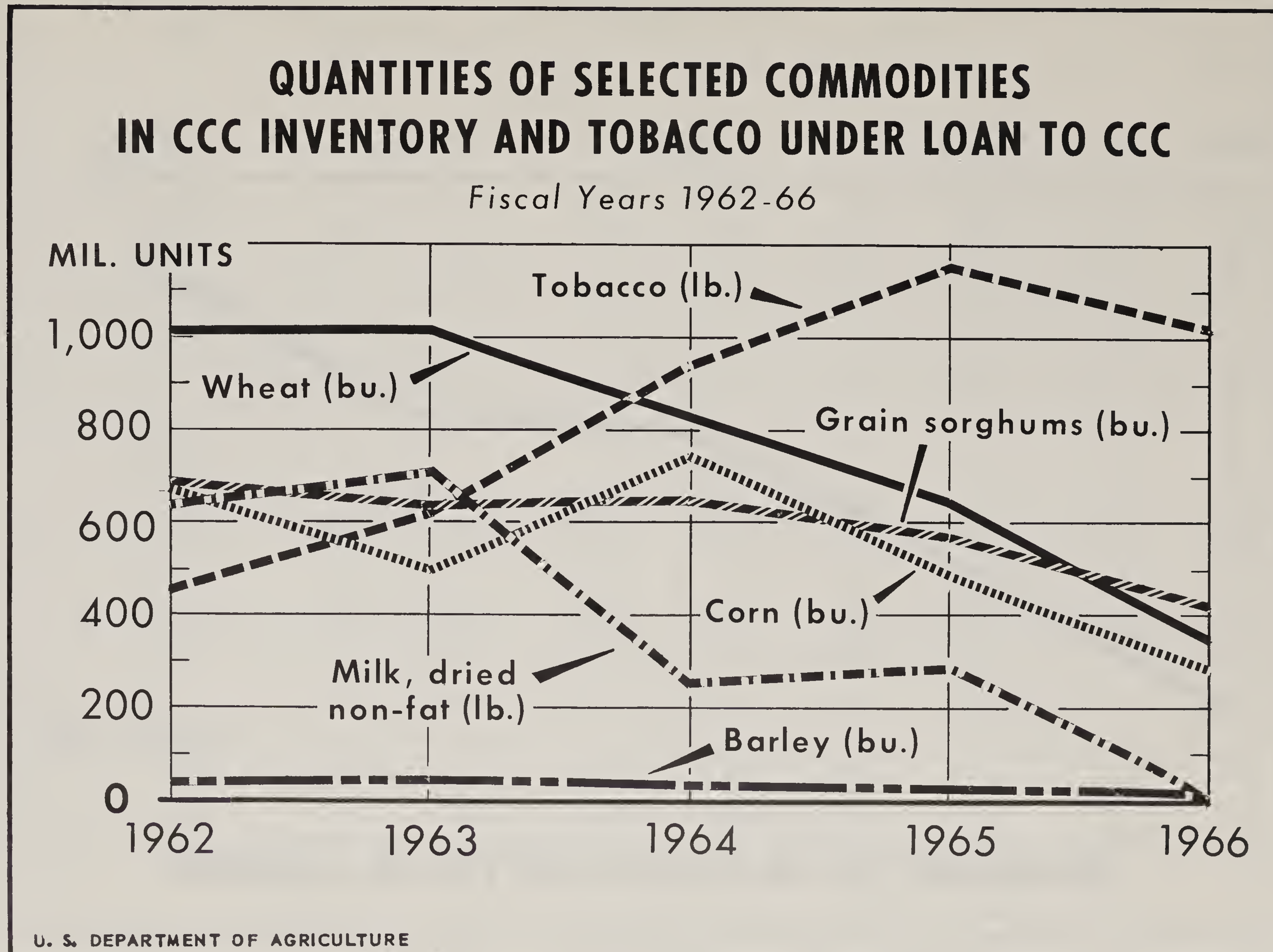
QUANTITIES OF SELECTED COMMODITIES
IN CCC INVENTORY AND TOBACCO UNDER LOAN TO CCC
Fiscal Years 1962-66
MIL. UNITS
1,000
800
600
400
200
0
1962
1963
1964
1965
1966
Tobacco (lb.)
Wheat (bu.)
Grain sorghums (bu.)
Corn (bu.)
Milk, dried
non-fat (lb.)
Barley (bu.)
U. S. DEPARTMENT OF AGRICULTURE

Chart 2

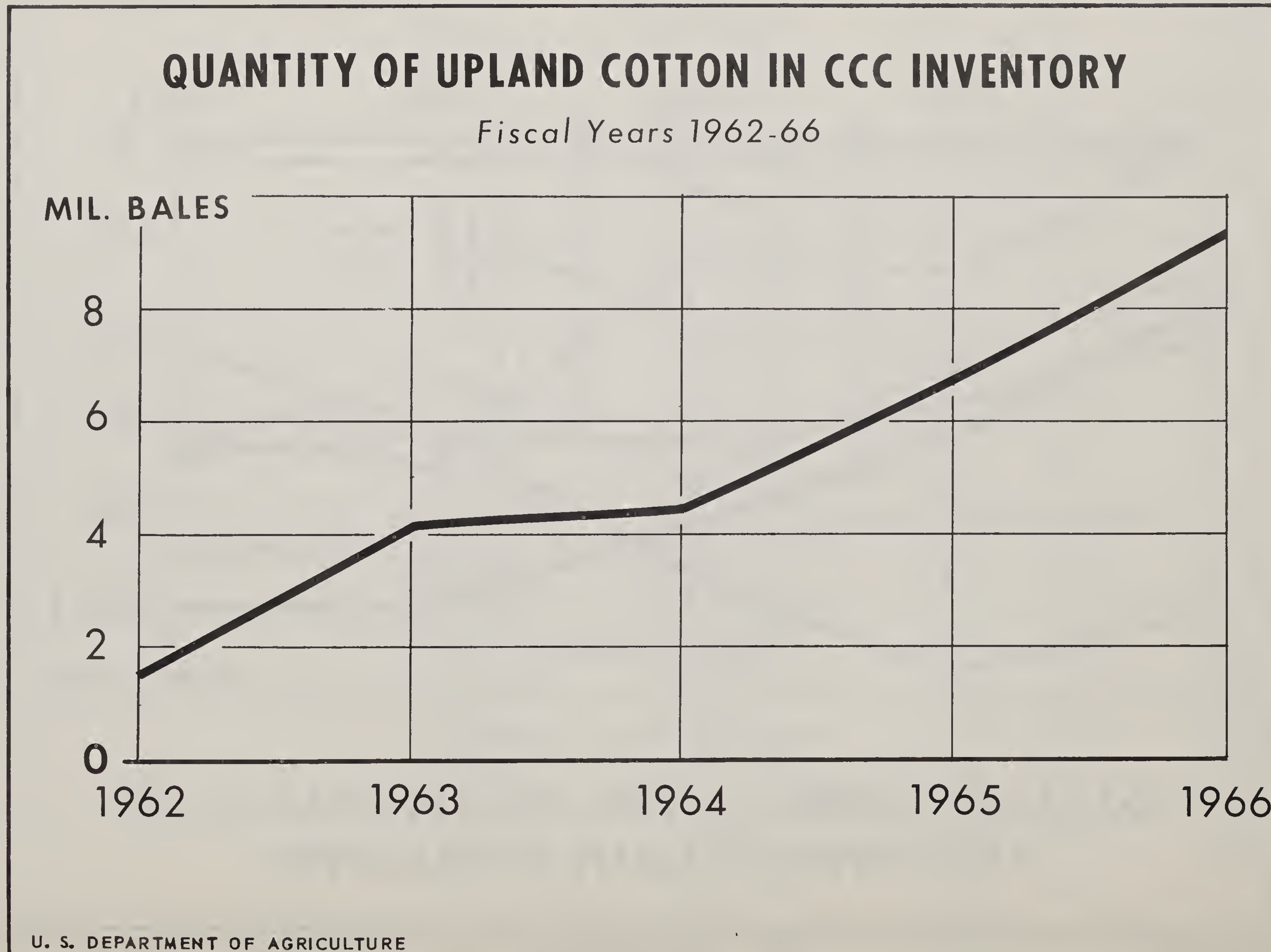
QUANTITY OF UPLAND COTTON IN CCC INVENTORY
Fiscal Years 1962-66
MIL. BALES
8
6
4
2
0
1962
1963
1964
1965
1966
U. S. DEPARTMENT OF AGRICULTURE

TABLE 1

INVESTMENT IN PRICE-SUPPORT LOANS AND INVENTORIES

(All Figures in Thousands)

COMMODITY	Unit of Measure	Investment as of June 30, 1966 a/						Total Investment as of June 30, 1965 a/	
		Pledged for Loans		In Inventory		Total			
		Quantity	Value	Quantity	Value b/	Quantity	Value	Quantity	Value b/
Basic Commodities:									
Corn	Bushel	432,123	$ 450,792	279,663	$ 343,671	711,786	$ 794,463	1,061,941	$ 1,210,387
Corn Products	Pound	-	-	-	-	-	-	6,359	234
Cotton, Extra Long Staple	Bale	32	7,525	119	31,063	151	38,588	131	33,923
Cotton, Upland	Bale	5,310	723,748	9,293	1,465,615	14,603	2,189,363	11,932	1,864,101
Peanuts	Pound	2,784	324	60,969	10,359	63,753	10,683	57,395	8,454
Rice	Cwt.	5	22	595	3,170	600	3,192	1,315	6,796
Tobacco	Pound	1,018,192	761,149	-	-	1,018,192	761,149	1,149,364	826,326
Wheat	Bushel	82,520	111,297	340,310	680,442	422,830	791,739	736,929	1,433,051
Wheat, Rolled	Pound	-	-	-	-	-	-	424	24
Wheat Flour	Pound	-	-	-	-	-	-	682	36
Bulgur	Pound	-	-	-	-	-	-	1,455	86
Total Basic Commodities		xxx	2,054,857	xxx	2,534,320	xxx	4,589,177	xxx	5,383,418
Designated Nonbasic Commodities:									
Milk and Butterfat:									
Butter	Pound	-	-	38	23	38	23	158,991	93,522
Butter Oil	Pound	-	-	-	-	-	-	1,592	1,230
Cheese	Pound	-	-	-	-	-	-	2,089	793
Milk, Dried	Pound	-	-	10,796	1,599	10,796	1,599	282,620	41,286
Barley	Bushel	8,290	6,495	10,839	8,978	19,129	15,473	29,434	24,077
Grain Sorghum	Bushel	41,554	38,806	419,949	467,456	461,503	506,262	600,478	683,808
Mixed Feed	Cwt.	-	-	-	-	-	-	109	231
Honey	Pound	7,390	890	307	36	7,697	926	6,767	825
Oats	Bushel	47,780	25,721	50,573	30,477	98,353	56,198	85,662	49,878
Rye	Bushel	738	696	9,230	9,643	9,968	10,339	6,475	6,892
Tung Oil	Pound	29,312	7,093	15,795	3,782	45,107	10,875	40,254	9,637
Total Designated Nonbasic Commodities		xxx	79,701	xxx	521,994	xxx	601,695	xxx	912,179
Other Nonbasic Commodities:									
Beans, Dry Edible	Cwt.	30	195	37	269	67	464	664	4,828
Flaxseed	Bushel	1,249	3,618	12,382	36,491	13,631	40,109	6,241	18,001
Linseed Oil	Pound	-	-	80,000	9,494	80,000	9,494	80,000	9,494
Naval Stores: Rosin	Pound	419,327	44,360	-	-	419,327	44,360	371,806	39,057
Soybeans	Bushel	7,338	16,620	8	19	7,346	16,639	5,942	13,254
Vegetable Oil Products	Pound	-	-	-	-	-	-	3,418	654
Total Other Nonbasic Commodities		xxx	64,793	xxx	46,273	xxx	111,066	xxx	85,288
Exchange Commodities:									
Strategic and Other Materials		xxx	xxx	xxx	10,345	xxx	10,345	xxx	5,742
TOTAL		xxx	$ 2,199,351	xxx	$ 3,112,932	xxx	$ 5,312,283	xxx	$ 6,386,627

a/ Investment value before deduction of reserve for losses. For amount of reserve and net book value as of current date, see Schedule 10 for Loans and Schedule 12 for Inventories.

b/ Investment value of inventory represents acquisition cost plus cost of any packaging or processing performed after acquisition.

Table 2

COMMODITIES IN CCC INVENTORY AND TOBACCO UNDER LOAN TO CCC
AS OF JUNE 30
(All figures in Thousands)

Commodity	Unit of Measure	1962	1963	1964	1965	1966
			CCC Inventories			
Cotton, Extra Long Staple	Bales	14	16	37	99	119
Cotton, Upland	Bales	1,449	4,136	4,403	6,640	9,293
Wheat	Bushels	1,096,620	1,082,464	828,851	646,310	340,310
Wheat Flour	Pounds	--	--	3,488	682	--
Wheat, Rolled	Pounds	--	--	407	424	--
Bulgur	Pounds	2,255	4,854	78	1,455	--
Corn	Bushels	658,805	492,124	735,390	482,974	279,663
Corn Products	Pounds	1,079	--	683	6,359	--
Barley	Bushels	34,092	46,976	27,908	19,542	10,839
Oats	Bushels	16,744	18,623	33,190	42,218	50,573
Rye	Bushels	2,617	1,563	766	5,922	9,230
Grain Sorghums	Bushels	687,101	633,412	637,585	564,302	419,949
Butter	Pounds	401,030	379,846	183,269	158,991	38
Butter Oil	Pounds	--	90,959	21,040	1,592	--
Ghee	Pounds	--	2,170	1,589	--	--
Cheese	Pounds	106,055	51,420	33,062	2,089	--
Milk, Dried Non-fat	Pounds	626,052	706,776	249,701	282,620	10,796
Beans, Dry Edible	Cwt.	2,631	1,168	1,426	476	37
Rice, Milled	Cwt.	179	14	--	--	16
Rice, Rough	Cwt.	135	1,796	1,590	1,312	579
Peanuts, Farmers' Stock	Pounds	--	6,937	--	--	--
Peanuts, Shelled	Pounds	4,431	66,944	67,037	43,195	60,969
Tung Oil	Pounds	--	--	--	14,717	15,795
Cottonseed Oil, Refined	Pounds	--	1,268	79,232	--	--
Linseed Oil	Pounds	--	--	21,000	80,000	80,000
Flaxseed	Bushels	--	5,327	10,616	2,449	12,382
Soybeans	Bushels	51,631	3,182	19	2	8
Vegetable Oil Products	Pounds	93,772	17,362	2,725	3,418	--
Turpentine	Gallons	1,730	826	--	--	--
Mixed Feed	Cwt.	--	--	--	109	--
Honey	Pounds	--	--	--	--	307
			Tobacco Under Loan to CCC			
Tobacco	Pounds	451,079	609,453	942,544	1,149,364	1,018,192

Table 3

METHODS OF SELLING CCC COMMODITIES

June 1966

FOR EXPORT				FOR UNRESTRICTED USE (DOMESTIC OR EXPORT)
Commodities Offered on Competitive Bids	Commodities Offered at Announced Prices	Commodities Offered in Redemption of Export Commodity Certificates	Commodities Approved for Sale at Special Prices 3/	Commodities Offered at Not Less than the Statutory Minimum or other Minimum Set by CCC 1/
Peanuts	Rough Rice 2/	Barley	Wheat	Barley
Cotton, upland		Cotton, upland	Cottonseed Oil	Corn
Cotton, extra long staple		Grain Sorghums	Soybean Oil	Cotton, upland
		Oats	Non-fat Dry Milk	Cotton, extra long staple
		Rough Rice 2/		Dry Edible Beans
		Rye		Flaxseed
		Wheat		Grain Sorghums
		Flaxseed		Oats
		Linseed Oil		Peanuts, Edible
				Peanuts, for Crushing
				Soybeans
				Rough Rice
				Rye
				Wheat

1/ Sales of commodities in danger of deterioration are made at the best price obtainable. Dispositions against certificate rights under the feed grain program are made at market price but not less than the loan rate plus reasonable carrying charges.

2/ For export as milled, unpolished milled, or brown rice.

3/ Non-commercial sales below world market prices but at best price obtainable for export under special programs approved by the CCC Board of Directors.

TABLE 4

DISPOSITION OF INVENTORIES ACQUIRED UNDER THE PRICE-SUPPORT PROGRAM BY COMMODITY AND TYPE OF DISPOSITION
FISCAL YEAR 1966

(All Figures in Thousands)

COMMODITY AND ITEM	Unit of Measure	Total Dispositions	Sales for Dollars		Public Law 480 (Export) c/			Barter (Export) d/	Payment-in-Kind e/		Transfers to Other Government Agencies		Donations g/	
			Domestic a/	Export b/	Title I	Title II	Title IV		Unrestricted Use	Export	Domestic f/	Export	Domestic	Export
BASIC COMMODITIES:														
Corn:														
Quantity	Bushel	370,400	57,319	35,814	2,088	4,510	67	7,203	257,199	5,882	76	-	114	128
Cost Value		$ 439,355	64,292	42,874	2,500	5,853	81	8,623	307,678	7,041	82	-	120	211
Proceeds		$ 435,628	57,814	49,175	4,816	11,498	160	10,093	293,510	8,453	109	-	-	-
Corn Products:														
Quantity	Pound	546,918	850	-	-	37,743	-	-	-	-	-	-	160,169	348,156
Cost Value		$ 20,564	31	-	-	1,310	-	-	-	-	-	-	6,109	13,114
Proceeds		$ 1,387	51	-	-	1,336	-	-	-	-	-	-	-	-
Cotton, Extra Long Staple:														
Quantity	Bale	9	h/	11*	20	-	-	-	-	-	-	-	h/	-
Cost Value		$ 2,279	73	2,768*	4,973	-	-	-	-	-	-	-	1	-
Proceeds		$ 3,476	27	2,203*	5,652	-	-	-	-	-	-	-	-	-
Cotton, Upland:														
Quantity	Bale	2,465	20	180	81	-	25	453	1,698	8	-	-	h/	-
Cost Value		$ 391,213	3,203	28,752	13,002	-	4,045	72,444	268,504	1,258	-	-	5	-
Proceeds		$ 342,295	1,389	18,386	15,771	-	4,922	52,072	248,887	868	-	-	-	-
Peanuts, Farmers' Stock:														
Quantity	Pound	310	310	-	-	-	-	-	-	-	-	-	-	-
Cost Value		$ 34	34	-	-	-	-	-	-	-	-	-	-	-
Proceeds		$ 12	12	-	-	-	-	-	-	-	-	-	-	-
Peanuts, Shelled:														
Quantity	Pound	160,939	79,085	80,414	1,411	-	-	-	-	29	-	-	-	-
Cost Value		$ 25,171	12,059	12,881	226	-	-	-	-	5	-	-	-	-
Proceeds		$ 12,198	5,184	6,785	227	-	-	-	-	2	-	-	-	-
Rice, Milled:														
Quantity	Cwt.	1,219	4	-	-	-	-	-	-	-	-	-	1,205	10
Cost Value		$ 11,978	47	-	-	-	-	-	-	-	-	-	11,849	82
Proceeds		$ 31	31	-	-	-	-	-	-	-	-	-	-	-
Rice, Rough: i/														
Quantity	Cwt.	1,136	747	-	32	-	22	-	-	335	-	-	-	-
Cost Value		$ 5,795	3,813	-	165	-	113	-	-	1,704	-	-	-	-
Proceeds		$ 6,159	4,098	-	222	-	138	-	-	1,701	-	-	-	-
Tobacco, Owned:														
Quantity	Pound	95,404	-	-	-	-	-	95,404	-	-	-	-	-	-
Cost Value		$ 69,370	-	-	-	-	-	69,370	-	-	-	-	-	-
Proceeds		$ 69,370	-	-	-	-	-	69,370	-	-	-	-	-	-
Wheat:														
Quantity	Bushel	333,949	18,554	5,480	74,659	22,383	13,160	45,436	-	151,112	-	-	h/	3,165
Cost Value		$ 666,607	36,569	10,949	149,176	44,292	26,296	90,786	-	301,937	-	-	h/	6,602
Proceeds		$ 763,130	25,707	7,895	256,564	80,226	44,450	81,804	-	266,484	-	-	-	-
Wheat, Rolled:														
Quantity	Pound	195,851	150	-	-	6,771	-	-	-	-	-	-	49,458	139,472
Cost Value		$ 10,272	8	-	-	307	-	-	-	-	-	-	2,988	6,969
Proceeds		$ 321	8	-	-	313	-	-	-	-	-	-	-	-
Wheat Flour:														
Quantity	Pound	1,860,827	5,057	-	-	435,728	-	-	-	-	-	-	474,894	945,148
Cost Value		$ 93,153	272	-	-	20,476	-	-	-	-	-	-	28,172	44,233
Proceeds		$ 21,264	331	-	-	20,933	-	-	-	-	-	-	-	-
Bulgur:														
Quantity	Pound	472,729	238	-	-	96,773	-	-	-	-	-	-	4,556	371,162
Cost Value		$ 23,167	14	-	-	4,724	-	-	-	-	-	-	322	18,107
Proceeds		$ 4,833	16	-	-	4,817	-	-	-	-	-	-	-	-
DESIGNATED NONBASIC COMMODITIES:														
Butter:														
Quantity	Pound	193,772	40,253	5,481	2,156	-	-	1,338	-	367	39,466	8,366	96,299	46
Cost Value		$ 115,814	23,739	3,225	1,269	-	-	788	-	216	23,812	4,923	57,815	27
Proceeds		$ 55,326	24,736	1,534	1,355	1*	-	402	-	111	24,634	2,555	-	-
Butter Oil:														
Quantity	Pound	2,773	2*	65	-	200	-	-	-	-	-	1,116	-	1,394
Cost Value		$ 2,099	2*	48	-	155	-	-	-	-	-	821	-	1,077
Proceeds		$ 627	1*	25	-	178	-	-	-	-	-	425	-	-
Cheese:														
Quantity	Pound	11,214	223	853	37*	-	-	-	-	-	310	-	9,865	-
Cost Value		$ 4,267	86	324	14*	-	-	-	-	-	118	-	3,753	-
Proceeds		$ 456	84	267	15*	-	-	-	-	-	120	-	-	-

DESIGNATED NONBASIC COMMODITIES: (Continued)														
Milk, Dried:														
Quantity	Pound	771,563	10,535	143,031	8,928	83,749	-	1,741	-	9	81,118	383	72,502	369,567
Cost Value		$ 118,812	1,564	20,879	1,303	12,941	-	254	-	1	13,787	56	11,413	56,614
Proceeds		$ 45,247	1,951	13,384	1,439	14,299	-	214	-	1	13,903	56	-	-
Milk, Fluid:														
Quantity	Pound	829	-	-	-	-	-	-	-	-	-	-	829	-
Cost Value		$ 34	-	-	-	-	-	-	-	-	-	-	34	-
Proceeds		$ -	-	-	-	-	-	-	-	-	-	-	-	-
Barley:														
Quantity	Bushel	9,659	3,090	4	2,128	-	227	-	980	3,203	27	-	-	-
Cost Value		$ 8,443	2,708	3	1,858	-	198	-	856	2,796	24	-	-	-
Proceeds		$ 11,026	2,896	97	3,370	-	299	-	933	3,406	25	-	-	-
Grain Sorghum:														
Quantity	Bushel	229,711	6,736	212,299	1,507	1,845	388	2,211	3,856	690	-	-	h/	179
Cost Value		$ 270,599	8,090	249,890	1,773	2,446	456	2,603	4,289	813	-	-	h/	239
Proceeds		$ 273,863	7,409	250,588	3,062	4,259	838	2,618	4,263	826	-	-	-	-
Honey:														
Quantity	Pound	2,186	89	-	-	-	-	-	-	-	2,097	-	-	-
Cost Value		$ 370	11	-	-	-	-	-	-	-	359	-	-	-
Proceeds		$ 384	8	-	-	-	-	-	-	-	376	-	-	-
Mixed Feed:														
Quantity	Cwt.	132	132	-	-	-	-	-	-	-	-	-	-	-
Cost Value		$ 164	164	-	-	-	-	-	-	-	-	-	-	-
Proceeds		$ 95	95	-	-	-	-	-	-	-	-	-	-	-
Oats:														
Quantity	Bushel	14,263	9,030	587	244	-	260	-	78	4,016	48	-	-	-
Cost Value		$ 8,492	5,415	345	143	-	153	-	46	2,362	28	-	-	-
Proceeds		$ 8,958	4,884	439	342	-	292	-	52	2,888	61	-	-	-
Rye:														
Quantity	Bushel	2,056	1,254	-	185	-	-	-	9	608	-	-	-	-
Cost Value		$ 2,219	1,358	-	199	-	-	-	10	652	-	-	-	-
Proceeds		$ 2,074	1,039	-	292	-	-	-	8	735	-	-	-	-
Tung Oil:														
Quantity	Pound	9	9	-	-	-	-	-	-	-	-	-	-	-
Cost Value		$ 3	3	-	-	-	-	-	-	-	-	-	-	-
Proceeds		$ 1	1	-	-	-	-	-	-	-	-	-	-	-
OTHER NONBASIC COMMODITIES:														
Beans, Dry Edible:														
Quantity	Cwt.	697	188	-	-	3	-	-	-	-	-	-	363	143
Cost Value		$ 5,246	1,352	-	-	25	-	-	-	-	-	-	2,870	999
Proceeds		$ 1,467	1,402	-	-	65	-	-	-	-	-	-	-	-
Cottonseed Oil, Refined:														
Quantity	Pound	-	-	-	-	-	-	-	-	-	-	-	-	-
Cost Value		$ -	-	-	-	-	-	-	-	-	-	-	-	-
Proceeds		$ 12	12	-	-	-	-	-	-	-	-	-	-	-
Cottonseed Oil, Refined (Salad Oil):														
Quantity	Pound	112	-	-	-	-	-	-	-	-	-	-	-	112
Cost Value		$ 22	-	-	-	-	-	-	-	-	-	-	-	22
Proceeds		$ 1	3	-	-	2*	-	-	-	-	-	-	-	-
Flaxseed:														
Quantity	Bushel	2,579	473	-	533	-	36	-	-	1,537	-	-	-	-
Cost Value		$ 7,670	1,408	-	1,584	-	106	-	-	4,572	-	-	-	-
Proceeds		$ 8,133	1,283	-	1,919	-	129	-	-	4,802	-	-	-	-
Soybeans:														
Quantity	Bushel	7	7	-	-	-	-	-	-	-	-	-	-	-
Cost Value		$ 6	6	-	-	-	-	-	-	-	-	-	-	-
Proceeds		$ 17	17	-	-	-	-	-	-	-	-	-	-	-
Vegetable Oil Products:														
Quantity	Pound	72,902	4*	-	-	3,271	-	-	-	-	-	-	-	69,635
Cost Value		$ 12,983	-	-	-	564	-	-	-	-	-	-	-	12,419
Proceeds		$ 576	4	-	-	572	-	-	-	-	-	-	-	-
TOTAL AGRICULTURAL COMMODITIES:														
Cost Value		$ 2,316,201	166,317	367,402	178,157	93,093	31,448	244,868	581,383	323,357	38,210	5,800	125,451	160,715
Proceeds		$ 2,068,367	140,491	346,372	295,016	138,493	51,228	216,573	547,653	290,277	39,228	3,036	-	-
EXCHANGE COMMODITIES:														
Cost Value		$ 26,012	-	-	-	-	-	-	-	-	26,012	-	-	-
Proceeds		$ 25,809	-	-	-	-	-	-	-	-	25,809	-	-	-
TOTAL PRICE-SUPPORT PROGRAM:														
Cost Value		$ 2,342,213	166,317	367,402	178,157	93,093	31,448	244,868	581,383	323,357	64,222	5,800	125,451	160,715
Proceeds		$ 2,094,176	140,491	346,372	295,016	138,493	51,228	216,573	547,653	290,277	65,037	3,036	-	-

* Denotes negative item which results from adjustment of prior activity or inventory gains.

a/ Includes inventory gains, losses and related recoveries.

b/ Includes some sales which may be applied subsequently to Public Law 480, Title I and Title IV authorizations. Any such reclassification will cause downward adjustments in "Sales for Dollars - Export".

c/ Proceeds represent the Corporation's full investment amount charged to the statutory limitation. Investment is computed at values designed to recover for CCC all costs related to these disposals.

d/ Proceeds represent exchange value of strategic or other material to be delivered under contracts.

e/ Commodities delivered as payment in kind for exportation under P. L. 480 are included in P. L. 480 (Export) Titles I and IV columns and are not included in this column.

f/ Includes sales to Section 32 at lower of cost or market for distribution to relief or welfare outlets.

g/ Includes donations under Sections 202, 407, 416 and miscellaneous donations under various other authorizations.

h/ Less than five hundred.

i/ Includes sales of rough rice to processors under conditional contracts providing for repurchase as milled rice by CCC.

Table 5

TOBACCO PRICE-SUPPORT LOAN ACTIVITY FOR FISCAL YEAR 1966

(All figures in millions)

Type	Loans Outstanding July 1, 1965		Loans Made July 1, 1965 Through June 30, 1966		Liquidation of Loan Collateral		Loans Outstanding June 30, 1966	
	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
Burley	288.6	$ 203.9	37.5	$ 33.1	83.5	$ 55.6	242.6	$181.4
Flue-Cured	[illegible]	577.9	58.1	56.1	137.8	96.9	696.6	537.1
Other	84.5	44.5	14.1	7.7	19.6	9.6	79.0	42.6
Total	1,149.4	$ 826.3	109.7	$ 96.9	240.9	$ 162.1	1,018.2	$ 761.1

Table 6

DISPOSITIONS OF CCC INVENTORIES ACQUIRED UNDER PRICE SUPPORT PROGRAMS DURING THE YEAR ENDING JUNE 30, 1966

DISPOSITION METHOD	DISPOSITIONS	PERCENT OF TOTAL DISPOSITIONS 1/ 2/
	(Cost Value in 1,000 Dollars)	
Sales for Dollars		
Domestic	166,317	7
Export	367,402	16
Total	533,719	23
Public Law 480		
Title I	178,157	8
Title IV	31,448	1
Total	209,605	9
Barter	244,868	10
Payment-in-Kind		
Unrestricted use	581,383	25
Export	323,357	14
Total	904,740	39
Transfers		
Domestic	64,222	3
Export	5,800	- 3/
Total	70,022	3
Donations		
Domestic	125,451	5
Export, including Title II of Public Law 480	253,808	11
Total	379,259	16
TOTAL	2,342,213	100%

1/ Fiscal Year 1966
2/ Rounded to nearest percent
3/ Less than one-half of one percent

Table 7

SALES OF COMMODITIES UNDER THE CCC EXPORT CREDIT SALES PROGRAM

COMMODITY	3/30/56-6/30/63	7/1/63-6/30/64	7/1/64-6/30/65	7/1/65-6/30/66	3/30/56-6/30/66
Barley	$ 4,723,665	$ 4,664,324	$ 735,467	$ 1,827,967	$ 11,951,423
Beans	1,947,625				1,947,625
Butter		99,812	20,015	104,317	224,144
Corn	96,876,532	20,157,789	46,449,245	120,893,334	284,376,900
Cotton	361,111	39,823,310	27,997,856	16,068,719	84,250,996
Grain Sorghums	26,622,653	27,515,184	12,501,215	36,295,671	102,934,723
Gum Rosin	310,300				310,300
Non-fat Dry Milk	1,383,088				1,383,088
Oats	188,624				188,624
Rice	2,104,824		354,300	2,922,525	5,381,649
Soybean Oil				453,609	453,609
Tobacco	10,771,909	741,076	236,734		11,749,719
Wheat	39,662,615	25,100,752	6,835,190	30,596,243	102,194,800
Wheat Flour				797,416	797,416
TOTALS	$184,952,946	$118,102,247	$95,130,022	$209,959,801	$608,145,016

Table 8

Commodity	Beginning Date of Payment-in-Kind Program	Unit	Quantities from Commercial Stocks Earning PIK Certificates	Quantities Redeemed from CCC Stocks
			(All Figures in Thousands)	
Wheat	Sept. 4, 1956	Bu.	7,213,675	1,271,636
Corn	May 12, 1958	Bu.	465,784	151,463
Barley	July 1, 1958	Bu.	242,103	77,516
Oats	July 1, 1958	Bu.	71,470	17,231
Grain Sorghums	July 1, 1958	Bu.	276,353	87,182
Rye	July 1, 1958	Bu.	16,642	9,976
Rice	Dec. 15, 1958	Cwt.	170,885	9,707
Flaxseed	April 16, 1965	Bu.	5,415	2,499
Cotton	May 29, 1958	Bales	23,210	5,862
Nonfat Dry Milk	March 6, 1962	Lbs.	927,937	1,980
Butter	November 1, 1963	Lbs.	112,489	1,444
Milkfat Products and Cheese	November 1, 1963	Lbs.	14,901	0
Linseed Oil	April 16, 1965	Lbs.	75,680	0

PART II

THE METHODS OF DISPOSITION TO BE UTILIZED AND THE ESTIMATED QUANTITIES THAT CAN BE SOLD OR DISPOSED OF DURING THE SUCCEEDING TWELVE MONTHS

The methods of sales and dispositions to be utilized and the estimated quantities that can be moved during the succeeding 12 months in 1966-67 are given in tables on pages 18 through 29 These tables also reflect the estimated inventories as of June 30, 1967.

EXPLANATION OF COMMODITY TABLES

Line 1 of each commodity table shows the CCC inventory for that commodity as of June 30, 1966.

Line 2 gives the estimated amount of the commodity which will come into CCC inventory between July 1, 1966 and June 30, 1967.

Line 3 is the sum of lines 1 and 2 and shows the total CCC supplies expected to be available for sale or other disposition during the year-July 1, 1966 through June 30, 1967.

The estimated sales and dispositions through the various methods described in Part I and Appendix I for the Fiscal Year 1967 are given in lines under item 4. A word of explanation is offered concerning dollar sales (line 4 A) and payment-in-kind dispositions. Dollar sales estimates, whether export or domestic, are limited to sales from CCC stocks. Quantities shown for payment-in-kind dispositions likewise come from CCC stocks.

The sales under Title I shown in the tables are payments-in-kind made available from CCC stocks or Title I transactions.

Dispositions under item 4 are all made from CCC stocks.

Line 5 shows the estimated remaining CCC inventory as of June 30, 1967.

The United States Code citations for the various legal authorities briefly cited in these tables are as follows:

P. L. 480, Title I	7 U.S.C. 1701-1709
P. L. 480, Title II	7 U.S.C. 1721-1724
P. L. 480, Title IV	7 U.S.C. 1731-1736
Section 407	7 U.S.C. 1427
Section 416	7 U.S.C. 1431
Section 202	7 U.S.C. 1446a
Section 402	22 U.S.C. 1922
Section 32	7 U.S.C. 612c
Section 308	7 U.S.C. 1697

CORNMEAL

	(Pounds)
1. CCC Inventory 6/30/66	
2. Takeover 7/1/66 - 6/30/67	873,600,000
3. Total available for sale or other disposition during F. Y. 1967 (Line 1 plus line 2)	873,600,000
4. Estimated Dispositions from CCC Inventory 7/1/66 - 6/30/67	
A. P. L. 480 - Title II	143,700,000
B. Donations - Sec. 416	
1. Export	574,900,000
2. Domestic	155,000,000
C. Total Dispositions	873,600,000
5. Estimated CCC Inventory 6/30/67	

BARLEY

	(Bushels)
1. CCC Inventory 6/30/66	10,000,000
2. Takeover 7/1/66 - 6/30/67	2,000,000
3. Total available for sale or other disposition during F. Y. 1967 (Line 1 plus line 2)	12,000,000
4. Estimated Dispositions from CCC Inventory 7/1/66 - 6/30/67	
A. Dollar Sales - Domestic	2,000,000
B. Payment-in-Kind - Export	3,000,000
C. Total Dispositions	5,000,000
5. Estimated CCC Inventory 6/30/67	7,000,000

WHEAT FLOUR

	(Pounds)
1. CCC Inventory 6/30/66	
2. Takeover 7/1/66 - 6/30/67	1,778,720,000
3. Total available for sale or other disposition during F. Y. 1967 (Line 1 plus line 2)	1,778,720,000
4. Estimated Dispositions from CCC Inventory 7/1/66 - 6/30/67	
A. P. L. 480 - Title II	482,895,000
B. Donations - Sec. 416	
1. Export	804,825,000
2. Domestic	491,000,000
C. Total Dispositions	1,778,720,000
5. Estimated CCC Inventory 6/30/67	

BULGUR

	(Pounds)
1. CCC Inventory 6/30/66	
2. Takeover 7/1/66 - 6/30/67	482,864,000
3. Total available for sale or other disposition during F. Y. 1967 (Line 1 plus line 2)	482,864,000
4. Estimated Dispositions from CCC Inventory 7/1/66 - 6/30/67	
A. P. L. 480 - Title II	76,458,000
B. Donations - Sec. 416	
1. Export	401,406,000
2. Domestic	5,000,000
C. Total Dispositions	482,864,000
5. Estimated CCC Inventory 6/30/67	

BUTTER AND BUTTER OIL

	(Pounds) Butter	Butter Oil
1. CCC Inventory 6/30/66		
2. Takeover 7/1/66 - 6/30/67	65,000,000	
3. Total available for sale or other disposition during F. Y. 1967 (Line 1 plus line 2)	65,000,000	
4. Estimated Dispositions from CCC Inventory 7/1/66 - 6/30/67		
A. Donations - Domestic, Sec. 416	40,000,000	
B. Total Dispositions	40,000,000	
5. Estimated CCC Inventory 6/30/67	25,000,000	

NONFAT DRY MILK

	(Pounds)
1. CCC Inventory 6/30/66	39,494,000
2. Takeover 7/1/66 - 6/30/67	790,000,000
3. Total available for sale or other disposition during F. Y. 1967 (Line 1 plus line 2)	829,494,000
4. Estimated Dispositions from CCC Inventory 7/1/66 - 6/30/67	
A. Dollar Sales - Export	92,000,000
B. P. L. 480	
1. Title I	3,000,000
2. Title II	75,000,000
C. Donations - Sec. 416	
1. Export	385,000,000
2. Domestic	165,000,000
D. Total Dispositions	720,000,000
5. Estimated CCC Inventory 6/30/67	109,494,000

PEANUTS

	(Pounds) Farmers's Stock	Shelled
1. CCC Inventory 6/30/66		63,500,000
2. Takeover 7/1/66 - 6/30/67		145,000,000
3. Total available for sale or other disposition during F. Y. 1967 (Line 1 plus line 2)		208,500,000
4. Estimated Dispositions from CCC Inventory 7/1/66 - 6/30/67		
A. Dollar Sales		
1. Export		25,000,000
2. Domestic		183,500,000
B. Total Dispositions		208,500,000
5. Estimated CCC Inventory 6/30/67		

RICE

	(Hundredweight) ROUGH	MILLED
1. CCC Inventory 6/30/66	500,000	
2. Takeover 7/1/66 - 6/30/67	2,000,000	1,200,000
3. Total available for sale or other disposition during F. Y. 1967 (Line 1 plus line 2)	2,500,000	1,200,000
4. Estimated Dispositions from CCC Inventory 7/1/66 - 6/30/67		
A. Dollar Sales - Domestic	1,000,000	
B. Payment-in-Kind - Commercial Exports	500,000	
C. Donations - Sec. 416, Domestic		1,200,000
D. Total Dispositions	1,500,000	1,200,000
5. Estimated CCC Inventory 6/30/67	1,000,000	

TUNG OIL

	(Pounds)
1. CCC Inventory 6/30/66	15,813,000
2. Takeover 7/1/66 - 6/30/67	
3. Total available for sale or other disposition during F. Y. 1967 (Line 1 plus line 2)	15,813,000
4. Estimated Dispositions from CCC Inventory 7/1/66 - 6/30/67	
A. Dollar Sales - Domestic	15,813,000
B. Total Dispositions	15,813,000
5. Estimated CCC Inventory 6/30/67	

DRY EDIBLE BEANS

	(Hundredweight)
1. CCC Inventory 6/30/66	
2. Takeover 7/1/66 - 6/30/67	100,000
3. Total available for sale or other disposition during F. Y. 1967 (Line 1 plus line 2)	100,000
4. Estimated Dispositions from CCC Inventory 7/1/66 - 6/30/67	
A. Donations - Sec. 416	
1. Export	
2. Domestic	100,000
B. Total Dispositions	100,000
5. Estimated CCC Inventory 6/30/67	

OATS

	(Bushels)
1. CCC Inventory 6/30/66	43,000,000
2. Takeover 7/1/66 - 6/30/67	12,000,000
3. Total available for sale or other disposition during F. Y. 1967 (Line 1 plus line 2)	55,000,000
4. Estimated Dispositions from CCC Inventory 7/1/66 - 6/30/67	
A. Dollar Sales - Domestic	7,250,000
B. Payment-in-Kind - Export	3,000,000
C. Donations - Sec. 416	
1. Export	10,000,000
2. Domestic	2,750,000
D. Total Dispositions	23,000,000
5. Estimated CCC Inventory 6/30/67	32,000,000

LINSEED OIL

	(Pounds)
1. CCC Inventory 6/30/66	80,000,000
2. Takeover 7/1/66 - 6/30/67	
3. Total available for sale or other disposition during F. Y. 1967 (Line 1 plus line 2)	80,000,000
4. Estimated Dispositions from CCC Inventory 7/1/66 - 6/30/67	
5. Estimated CCC Inventory 6/30/67	80,000,000

TOBACCO

	(Pounds)
1. CCC Inventory 6/30/66	
2. Takeover 7/1/66 - 6/30/67	55,000,000
3. Total available for sale or other disposition during F. Y. 1967 (Line 1 plus line 2)	55,000,000
4. Estimated Dispositions from CCC Inventory 7/1/66 - 6/30/67	
A. Barter	55,000,000
B. Total Dispositions	55,000,000
5. Estimated CCC Inventory 6/30/67	

COTTON

	(Bales)	
	Upland	Extra Long Staple
1. CCC Inventory 6/30/66	9,300,000	119,100
2. Takeover 7/1/66 - 6/30/67	5,200,000	15,000
3. Total available for sale or other disposition during F. Y. 1967 (Line 1 plus line 2)	14,500,000	134,100
4. Estimated Dispositions from CCC Inventory 7/1/66 - 6/30/67		
A. Dollar Sales - Unrestricted, Export	1/ 5,400,000	
B. P. L. 480 - Title I		20,000
C. Barter - Export	1/ 300,000	
D. Total Dispositions	5,700,000	20,000
5. Estimated CCC Inventory 6/30/67	8,800,000	114,100

1/ Unrestricted - charged against the pool.

FLAXSEED

	(Bushels)
1. CCC Inventory 6/30/66	8,040,000
2. Takeover 7/1/66 - 6/30/67	3,600,000
3. Total available for sale or other disposition during F. Y. 1967 (Line 1 plus line 2)	11,640,000
4. Estimated Dispositions from CCC Inventory 7/1/66 - 6/30/67	
A. Dollar Sales - Domestic	500,000
B. Payment-in-Kind - Export	5,100,000
C. Total Dispositions	5,600,000
5. Estimated CCC Inventory 6/30/67	6,040,000

RYE

	(Bushels)
1. CCC Inventory 6/30/66	7,760,000
2. Takeover 7/1/66 - 6/30/67	4,400,000
3. Total available for sale or other disposition during F. Y. 1967 (Line 1 plus line 2)	12,160,000
4. Estimated Dispositions from CCC Inventory 7/1/66 - 6/30/67	
A. Dollar Sales	
1. Export	1,500,000
2. Domestic	1,760,000
B. Total Dispositions	3,260,000
5. Estimated CCC Inventory 6/30/67	8,900,000

	(Bushels)
1. CCC Inventory 6/30/66	310,000,000
2. Takeover 7/1/66 - 6/30/67	220,000,000
3. Total available for sale or other disposition during F. Y. 1967 (Line 1 plus line 2)	530,000,000
4. Estimated Dispositions from CCC Inventory 7/1/66 - 6/30/67	
A. Dollar Sales	
1. Export	40,000,000
2. Domestic	235,000,000
B. P. L. 480 - Title II	7,851,000
C. Payment-in-Kind	
1. Export	1,200,000
2. Domestic	136,221,000
D. Donations - Sec. 416	
1. Export	4,728,000
2. Domestic	
E. Total Dispositions	425,000,000
5. Estimated CCC Inventory 6/30/67	105,000,000

	(Pounds)
1. CCC Inventory 6/30/66	
2. Takeover 7/1/66 - 6/30/67	244,695,000
3. Total available for sale or other disposition during F. Y. 1967 (Line 1 plus line 2)	244,695,000
4. Estimated Dispositions from CCC Inventory 7/1/66 - 6/30/67	
A. P. L. 480 - Title II	6,117,000
B. Donations - Sec. 416	
1. Export	187,578,000
2. Domestic	51,000,000
C. Total Dispositions	244,695,000
5. Estimated CCC Inventory 6/30/67	

	(Bushels)
1. CCC Inventory 6/30/66	420,000,000
2. Takeover 7/1/66 - 6/30/67	10,000,000
3. Total available for sale or other disposition during F. Y. 1967 (Line 1 plus line 2)	430,000,000
4. Estimated Dispositions from CCC Inventory 7/1/66 - 6/30/67	
A. Dollar Sales	
1. Export	280,030,000
2. Domestic	70,000,000
B. Payment-in-Kind	
1. Domestic (Special Feed Grain Program)	4,000,000
2. Export	700,000
C. P. L. 480	
1. Title I	2,000,000
2. Title II	2,500,000
3. Title IV	30,000
D. Barter	5,340,000
E. Donations - Export - Sec. 416, Title III	400,000
F. Total Dispositions	365,000,000
5. Estimated CCC Inventory 6/30/67	65,000,000

	(Bushels)
1. CCC Inventory 6/30/66	402,000,000
2. Takeover 7/1/66 - 6/30/67	45,000,000
3. Total available for sale or other disposition during F. Y. 1967 (Line 1 plus line 2)	447,000,000
4. Estimated Disposition from CCC Inventory 7/1/66 - 6/30/67	
A. Dollar Sales	
1. Export	9,100,000
2. Domestic	15,098,000
B. Payment-in-Kind - Export	99,161,000
C. P. L. 480	
1. Title I	50,000,000
2. Title II	8,258,000
3. Title IV	7,500,000
D. Barter	20,700,000
E. Donations - Export, Sec. 416	183,000
F. Total Dispositions	210,000,000
5. Estimated CCC Inventory 6/30/67	237,000,000

PART III

A DETAILED PROGRAM FOR THE EXPANSION OF MARKETS FOR SURPLUS AGRICULTURAL COMMODITIES THROUGH MARKETING AND UTILIZATION RESEARCH AND IMPROVEMENT OF MARKETING FACILITIES

This part of the report contains examples of accomplishments in USDA research that may be of special interest to the Congress.

UTILIZATION RESEARCH AND DEVELOPMENT

Utilization research is aimed at expansion of agricultural markets and reduction of processing and distribution costs. It can increase farm income, benefit domestic consumers, and contribute in U.S. programs to assist developing countries. These efforts help bring balances between supply of and demand for farm commodities. To accomplish these objectives, the USDA utilization research and development efforts are directed to developing or improving: (a) new, easy-to-prepare food products that are attractive, economical, and fit marketing requirements, (b) functional properties of natural fibers such as cotton, wool and mohair, (c) more economic and suitable processed feed products, and (d) broadened and profitable industrial uses for agricultural materials.

The Department's utilization research investigations are conducted in Federal facilities consisting of four regional laboratories and ten field stations in the United States. Basic, applied, and development research is done also through contracts and memoranda of understanding with State Experiment Stations, universities, and industry. Supporting research is accomplished in research institutions of twenty countries in Europe, Asia, South America, and Australia, through funds generated by the P.L. 480 program.

A. Wheat, Corn, and Other Cereal Grains

USDA Wheat Gluten Process Commercialized. A continuous process has been developed for separating wheat flour into starch and food grade gluten. The process is simple in operation; no addition of chemicals is required. Five U.S. industrial installations are using this procedure, or modifications of it, to process over 265 million pounds of flour annually. A sixth plant, nearing completion in the Pacific Northwest, will produce different grades of starch and food grade gluten, and convert starch into sirup. Gluten, presently totaling more than 25 million pounds annually, has many important uses such as increasing the protein content of flours for baking and

increasing the protein level of breakfast cereals. Wheat starch, currently amounting to over 200 million pounds yearly, has broad uses in foods and such industrial uses as paper additives, wallpaper pastes, and plywood glue additives.

Lower Cost Sirup from Cereal Grains. Industry is now extensively using a process developed by Department scientists for the conversion of the starch in whole cereal grains to low-cost sirup by the use of bacterial and fungal enzymes. The sirup produced by this enzymatic treatment makes it possible for cereal grain products to compete with imported molasses used in the fermentative production of chemicals and antibiotics. Annual U.S. consumption of molasses during 1962-1965 ranged between 589 and 645 million gallons, of which 264 to 270 million gallons were imported. On a refined molasses basis--and nearly all uses for molasses require refined grade--this new USDA process would permit this country to produce sirup from corn competitive with molasses presently imported. This usage would afford an additional outlet for as much as 45 million bushels of corn or other cereal grains.

Food-Protein Concentrates from Wheat Mill Fractions. Department research has shown that high-quality food ingredients can be made from bran and shorts, by-product fractions produced when wheat is milled into flour. These by-products previously have been sold as animal feeds, but now up to 50% of this material can be recovered as food-grade flours or upgraded feeds. In the new process, the bran and shorts are dried and remilled separately in conventional flour-milling equipment. The resulting flours contain 25 to 40% protein and only 2 to 4% fiber. The biological value of the protein is high because it contains more than 4% of the scarce amino acid lysine. At least six major flour milling companies are using these USDA discoveries to develop such new products as high-protein, general-purpose flours and nutritionally enriched gruels and beverages to supplement protein-deficit diets. Sufficient mill by-products are available so that nearly two million tons per year of these high-protein concentrates could be recovered for upgraded and higher return uses.

B. Cotton

New Weather-Resistant Finish for Cotton. Research carried out by Department scientists in cooperation with the Canvas Products Association International and the Foundation for Cotton Research and Education has led to the discovery of an excellent colorless weather-resistant finish for outdoor cotton fabrics. Based on commercially available chemicals (trimethylolmelamine and zirconium acetate), the new finish is highly resistant to microorganisms that usually attack and quickly destroy cotton. It was developed primarily to increase the service life of cotton fabrics used in coated products, and its lack of color makes it particularly desirable for white or light-colored coatings. Cotton fabrics treated with the finish and coated with a pigmented vinyl coating are still retaining 100% of their original strength after 24

months of outdoor weathering in the warm, moist climate of New Orleans. This excellent performance should make the fabrics very attractive to industry for broader use in awnings, truck and boat covers, tarpaulins, tentage, and other canvas products, a market currently utilizing about 120 million square yards of cotton fabric annually in this country. At least three manufacturers are actively considering the new development.

C. Animal Fats and Hides

Biodegradable Liquid Detergents Made from Tallow. Department scientists, seeking another outlet for surplus inedible fats, have developed biodegradable liquid detergents from tallow. These products have excellent properties in heavy-duty liquid detergent formulations. One form of these new detergents is an excellent lime soap dispersing agent and can be used in liquid soap-detergent combinations for hard water use. More important, the tallow-based detergents have the advantage of a higher degree of biodegradability than petroleum-based detergents. In anerobic digestion systems, where petroleum-based detergents show no degradation, some of the new fat-based formulations will break down completely after use, and in aerobic sewage processes the new tallow-derived detergents are at least equal in biodegradability to the petroleum counterparts. Within the past ten years liquid detergents have proved their usefulness and popularity. At today's production levels, 1400 million pounds of these products account for 33% of all detergent sales. Although not yet in commercial production, tallow-derived liquid detergents are considered relatively inexpensive to manufacture and should be in a good competitive position from the standpoint of costs.

More Markets Regained for Leather. Shearlings, sheepskins tanned with the wool still attached, are now made commercially by tanning with glutaraldehyde in a process developed by Department scientists. Shearlings are used principally in paint rollers and in hospital bed pads for the cure and prevention of bed sores. But present types have serious deficiencies. Hospital pads made of the improved glutaraldehyde tanned shearlings give longer service and have greatly improved launderability. Paint rollers of the new shearlings resist the deteriorative action of water-based latex paints, thus giving better performance, longer life, and easier cleaning. The largest tanner of shearlings has adapted the USDA process to his operation and has been in full-scale production for over a year. This success has stimulated other tanners to evaluate the process in their production. It is estimated that in 1965, the first full year of commercialization, the retail value of shearlings treated by this process for use as paint rollers and bed pads was about $5.6 million. Promotion of the new and improved shearlings is being conducted by the manufacturers and the International Wool Secretariat, through its Wool Bureau. The potential, if realized, may conceivably strain the supplies of rawstock and the manufacturing facilities.

D. Dairy Products

Improved Cheese Processing. Formerly, many of the bacterial cultures used in cheesemaking were easily contaminated by bacteriophage, a virus that attacks the bacteria, interferes with its growth, and prevents formation of the acidity required. A new method developed by Department scientists now prevents bacteriophage growth and activity. The new method is used widely by industry, particularly by Cheddar cheese manufacturers and by cheese culture supply houses. It is estimated that the savings from use of this method in 1964 amounted to $1,770,000 and in 1965 to $4,175,000.

EXPANDING DOMESTIC MARKETS

A. Product Innovations and Competition from Synthetics

Almost every traditional market for nonfood products of agricultural origin has felt the impact of entry of products containing some synthetic materials. Synthetics have captured an estimated 10 percent of the nonfood market for farm products. Marketing research is being stepped up to supplement physical science research in improving farm products and developing new products that will perform better in the market place and more effectively rebuff the competition of synthetics.

Marketing research on fiber innovations reveals that durable press and stretch properties added to cotton create new opportunities and enhance the competitive position of cotton in the textile industry. Some 300 million yards of polyester-cotton fabrics were treated with durable press resins in 1965; production during 1966 is expected to double. Over one-half of the men's slacks sold in 1965 were polyester-cotton blends with a permanent press treatment commanding a $1 to $2 permium over popularly-priced untreated slacks.

Considerable emphasis has been given to an analysis of markets for hides and skins, which are meeting serious competition from synthetics. Leather's share of the shoe-upper market, a major outlet, now at an estimated 85 percent, may fall to about 65 percent in 1967. Research has discovered new methods of hide trim that will provide more uniform and high quality hides and thus enable hides to compete better with substitutes. In addition, improved methods of unhairing and pickling of the hides at the packinghouse have been developed. This change in method, if applied by industry, would eliminate curing charge, reduce transportation costs, and result in better quality leather. Economic evaluation indicates that marketing costs can be reduced by $1.20 or about 15 percent per hide.

Declining per capita consumption of wheat and flour products in recent years has spurred interest in product innovations. Marketing bread in the form of frozen dough through retail food stores can reduce direct costs to consumers by 15 to 20 percent per equivalent

loaf size of baked bread. By doing their own proofing and baking, consumers can put freshly baked bread on their tables at a savings. Some 26 frozen food processors, a new addition to the baking industry structure, are distributing frozen doughs in growing quantities through retail outlets.

B. Food Markets and Distribution Programs

A major study is underway of the structure and buying and operating practices affecting food uses in the away-from-home food market. Data have been collected from more than 6,000 food service establishments. Field work on a second phase of the study on quantities of food used by kinds of food and container sizes will begin in late 1966. Findings of this study together with those of the 1965-66 Household Food Consumption Survey will provide for the first time a global knowledge of domestic food usage. Information on the away-from-home food market will help food manufacturers and others in improving this growing segment of the total market for food.

Study of the Food Stamp Program was continued through a survey to measure the impact of the program on retail food sales in Washington, D.C. Significant gains in retail food store sales were found in low-income areas of the city after introduction of stamps. Meat sales rose relatively more than sales of other foods. Previous surveys had also shown that the Food Stamp Program had a positive and upward impact on commercial food sales in the low-income areas where the plan was introduced.

C. Merchandising and Promotion

In 1963, according to a recent report, about 1500 farm groups budgeted approximately $92 million for domestic merchandising and promotional programs. These expenditures were in addition to the larger sums spent by food manufacturers, processors, wholesalers, and retailers. Research is being continued to evaluate the role of promotion and merchandising in influencing consumer demand, and in changing competitive relationships and returns accruing to various segments of the marketing system. An analysis of data relating sales response to different levels of promotional expenditures for fluid milk revealed that increased milk sales obtained at higher expenditure levels were from new consumers. The average amount of milk per day by milk drinkers was the same for all levels of promotion. Studies are presently underway appraising the implications of promotion for livestock products. In other work, findings indicate that quick-frozen broilers if supported with a well planned educational program can be merchandised competitively with ice-packed birds.

IMPROVEMENT OF MARKETING FACILITIES

Products of the farm move through a succession of facilities to assemble, store, prepare, process, transport, and distribute them. Many of the facilities being used are inefficient, inadequate, outdated, poorly designed, in the wrong locations, or not equipped in other ways to serve efficiently. Such shortcomings tend to increase the spread between the price received by farmers and that paid by consumers. Because of the widespread influence of the facilities used in marketing on producers, handlers, and consumers, public guidance and research assistance is necessary in planning, improving, and promoting the construction of modern marketing facilities.

In response to specific requests, plans were developed for improving many kinds of facilities. In producing areas, the facilities planned included egg assembly plants, poultry processing plants, fruit and vegetable packinghouses, livestock slaughtering plants, dairy plants, and grain elevators. In transportation, efforts were concentrated on improving the efficiency of moving products by rail, truck, and water. Considerable attention was given to the development of containerized transportation. Development of plans for modern centers of food distribution in large cities was emphasized.

Studies were completed which led to the development of plans for new facilities in Boston, Mass., Huntington, W.Va., and Montgomery, Ala. Studies in Chicago, Ill, and Dayton, Ohio are nearing completion. Studies in Baltimore, Md., and Honolulu, Hawaii, are underway. Additional work is underway providing technical assistance to wholesalers in new markets that have been built, are under construction, or are in the planning stage. Pilot demonstrations and seminars were conducted for the wholesalers so that they might develop modern operations that will maximize the benefits of their new facilities. This technical assistance has been provided food wholesalers who are in or plan to move into over a quarter of a billion dollars worth of new facilities in the cities of New York, Pittsburgh, Rochester, Baltimore, Boston, Chicago, Atlanta, and San Juan. Similar assistance is planned in other new markets. Also, a research contract has been let to determine the most efficient and least costly refrigeration systems in specific situations in wholesale food distribution centers.

During the year 35 studies were made of marketing facilities located in producing areas of 20 States. Of the total, 9 dealt with poultry and egg marketing facilities, 9 with livestock and meat, 5 with fruits and vegetables, 5 with dairy products, and 7 with various types of warehousing.

Research to improve transport facilities, equipment, and techniques was done to decrease the cost of moving agricultural and food products to domestic and overseas markets. Basic engineering work for a multipurpose van container for intermodel transport of refrigerated and nonrefrigerated products by land, sea, and air was completed. Overseas

transport experiments were made with a number of different products to find ways of reducing transport and handling costs and product losses. The most promising technique studied was the use of van containers in which the products are shipped directly from interior points in this country to inland markets overseas. Some work on the use of air transport for overseas shipments also was done. A study of 2,000 carloads of grain to determine the amounts, types, and causes of losses in rail transport was made.

Considerable attention was given to determining or developing the kinds of handling equipment needed to minimize handling costs and the damage to the products being handled.

In all of these efforts, the Department has not attempted to do all of the work itself; it has conducted all studies with the cooperation and support of firms engaged in these activities. It has pursued the policy of encouraging State agencies, distributors, and other private firms to undertake much work of this kind. The combined effect of all of these efforts has become very significant in reducing the cost of food distribution.

FARMER COOPERATIVES

Farmer cooperatives continued to develop and expand markets for agricultural commodities, including surplus products at home and abroad. A major effort was made in organizing commodity promotion programs, notably for grain and citrus products. In foreign markets, cooperatives sharply increased their sales activities, including participation in trade fairs and other promotional events.

Nineteen grain cooperatives joined forces to form an export company. These regional cooperatives are owned by about 1,600 local cooperative elevators. The export company has exported millions of bushels of grain and oilseeds to about 40 countries around the world; it has yet to receive a complaint on grain quality. Cooperative export elevators now exist at Charleston, S.C., Toledo, Saginaw, Chicago, Superior, Kalama, Wash., Corpus Christi, and Houston. Construction will soon get underway at New Orleans.

Farmers Export Company, another group whose membership consists of seven midwest regional grain cooperatives, was organized earlier this year. They are in the process of acquiring a site in the New Orleans area to build an export elevator.

Kansas farmers are now directly benefited by a market for their wheat in the form of bulgur. The bulgur goes mostly to some 38 foreign countries under the Food for Peace Program. A small amount is used domestically in schools, by charitable organizations, and by needy people.

Farmer Cooperative Service is working with a group of 23 soybean and cottonseed oilseed cooperatives in establishing a joint sales agency to market oil and meal domestically and in the foreign market.

Cotton marketing cooperatives are important merchandisers of cotton to foreign mills. They advertise extensively in foreign cotton trade journals and cooperate in advertising cotton to consumers. Cotton cooperatives have sales offices or agents in all major and some minor cotton importing countries to help buyers obtain the quality of U.S. cotton that best suits their needs. They have been exporting around 1.5 million bales of cotton annually.

In 1966, one cooperative will export 14 percent of total U.S. broiler exports. Gold Kist poultry is the leading American brand in Japan. The Japanese like dark meat so the cooperative ships hundreds of tons of chicken legs. The cooperative is also a heavy shipper of poultry to Hong Kong, Greece and other overseas markets. The Far East is one of the best outlets for chicken feet and wings.

FOREST PRODUCTS MARKETING AND UTILIZATION RESEARCH

The Forest Products Laboratory and the Regional Experiment Stations of the Forest Service conduct a continuing program of research to develop new uses and expand markets for wood. Emphasis is given to utilization and marketing of surplus low-quality timber, little-used species, and unused residues. Examples of such research are as follows:

Production of pulp chips from sawmill and veneer mill residues has increased rapidly in recent years. In 1963 it amounted to 11 million cords, or one-fourth of all pulpwood consumed at U.S. mills. Economic advantages in transporting, storing, and handling chips are attractive compared to roundwood if pulp yields and quality are not sacrificed during chip storage. Forest Service research showed that in kraft pulping, pile storage of pine chips presents no problem except for some loss in yield of tall oil and turpentine. However, hardwood chips show different reactions. In maple, birch, and beech chip piles the common wood rotting fungi find satisfactory growth conditions in the cooler portions of the pile. They cause loss of wood substance, loss of wood extractives, and discoloration of the chips. A definite decrease was found in sulfite pulp yield and in pulp brightness. Now, with the problem identified, further research to control the fungi or to minimize their harmful effects will be feasible.

Forest Products Laboratory studies showed that boards cut from small, low-grade red oak logs can be press-dried in a few hours. The process imparts attractive color and appearance and improves dimensional stability of the wood. The new drying system eliminates costly and time-consuming stacking and handling of lumber required in conventional air- and kiln-drying operations. Low quality wood with knots and other defects can be used for paneling and flooring. No installation

allowance for swelling is necessary. Side- and end-matched paneling and flooring can be installed with only a few carpenter's tools. This product would be especially suitable for production in the Northeast, North Central and Appalachian regions where vast quantities of little-used grades and species of hardwoods are available. The processing technique eliminates costly steps in production, reduces waste, uses ordinary machines and labor, and produces an attractive product from low-quality logs. An increase in product value at the mill of from $5 to $15 per thousand board feet can be expected over present conventional products.

An analysis of markets, wood supplies, production costs and other factors shows a potential for a substantial increase in pulp and paper production in southern Illinois. Present surplus timber growth could sustain additional pulping capacity of 1,500 to 2,600 tons per day, depending on the pulping process used. Water supplies and rates of flow of major rivers are adequate for most hardwood pulping processes. Transportation, labor, and power are available at reasonable cost. Cost comparisons of pulp and paper production and shipment among important manufacturing regions of the United States suggest that Illinois mills could compete with mills in other regions for markets in the midwest and Middle Atlantic States.

One key to more complete utilization of available species and grades of timber is more efficient processing to reduce costs and increase profits. Sawmill manager's decisions on how to saw different classes of logs for maximum profit must be based on several factors. These are (1) the amount, quality, and cost of logs, (2) possible sawing patterns and their yields, (3) time available on each piece of mill equipment, and (4) markets and prices. These factors were considered simultaneously in analyzing the operations of a high-speed southern pine sawmill. Batches of logs of varying diameter, grade, density, and location in the tree were processed by several sawing patterns into different product mixes. Inputs, outputs, and time required for each operation were measured. Optimum pattern for each class of logs was then determined by linear programming. Sawing each class of logs by its optimum pattern yielded $1,647 total revenue per hour over-and-above raw material cost. This revenue came from 31.5 thousand board feet of lumber, 2.3 thousand board feet of timbers, and 38.5 tons of chips. Analysis also showed how procedural changes would change the optimum sawing pattern for each class of logs. Such changes included increasing the log supply, selling some logs for pulpwood, changing lumber sales strategy, purchasing low-grade lumber, adding equipment, and changing relative prices of boards and dimension. The system of analysis developed can be used by many sawmill operators as an aid in making better management decisions.

PROMOTION OF EXPORTS

The government-industry foreign market development program contributed to a $700 million gain in commercial exports in FY 1966.

Total commercial agricultural exports were a record $5.1 billion, an increase of nearly $3.0 billion since the market development program was initiated ten years ago.

The program now covers virtually every agricultural commodity and product in world trade and includes cooperative projects with trade and agricultural groups, and trade-fair and trade-center activities with processors of food products.

The projects cover a wide range, including marketing research, merchandising clinics, technical assistance, exhibits, food processing training schools, promotional contests, demonstrations, tours by foreign groups to U.S. agricultural industries, advertising campaigns, and survey teams of commodity representatives.

Major developments during the year included:

Exports of feed grains soared to a new high of $1.35 billion, up about $410 million from the previous year. This gain was partly a result of educational programs and activities in Western Europe and Japan.

Continued promotions for soybeans and products assisted in bringing exports for these commodities to over $1 billion, an increase of around $150 million from FY 1965.

Market development activities for wheat led to commercial dollar exports of $443 million, nearly double the FY 1965 total.

Exhibits and meetings with the trade at U.S. trade centers and international food fairs resulted in many new business contacts and several million dollars worth of direct sales of processed foods. Special "Trade Only" areas were set up at five of the major food fairs to assist this development.

In-Store promotions, one of the newer developments in the export promotion program, stimulated additional business for U.S. foods. One French food chain bought $887,000 worth of U.S. foods for a special American Food Fortnight, and 420 stores in England, participating in a similar in-store promotion, showed a 235 percent sales increase for the promotion period.

PART IV

RECOMMENDATIONS FOR ADDITIONAL LEGISLATION NECESSARY TO ACCOMPLISH THE PURPOSES OF THIS SECTION

The Department has no legislative recommendations to submit at this time, but proposals may be submitted at a later date.

APPENDIX I

LEGISLATIVE AUTHORITIES FOR CCC DISPOSITION METHODS
(Fiscal Year 1966)

1. DOLLAR SALES

Domestic

Section 407 of the Agricultural Act of 1949, as amended, places certain restrictions on domestic sales of CCC-owned commodities. Under this section the general rule is that CCC may not sell for unrestricted use any basic agricultural commodity or storable non-basic commodity at less than five percent above the current support price plus reasonable carrying charges.

The Agricultural Act of 1964 permits the delivery of cotton at the market price in exchange for payment-in-kind certificates issued under this Act and rights purchased in the pool of such certificates.

Public Law 88-26 permits CCC to deliver feed grains, valued at not less than the current loan rate plus reasonable carrying charges, in redemption of payment-in-kind certificates issued under the 1964 and 1965 feed grain diversion and price support programs.

Export

Section 407 of the Agricultural Act of 1949, as amended, authorizes the sales of CCC-owned commodities for export without price restriction. Sales for export include sales made on condition that commodities of the same kind of comparable value or quantity be exported in raw or processed form.

Specific authorities with respect to export sales of cotton are as follows:

1. Section 203 of the Agricultural Act of 1956 directs CCC to encourage the export of cotton by offering to make cotton available at prices not in excess of the level of prices at which cotton of comparable qualities is being offered in substantial quantities by other exporting countries. Such quantities of cotton are to be sold as will re-establish and maintain the fair historical share (as determined by the Secretary of Agriculture) of the world market for U. S. cotton.

2. Public Law 87-548 directs CCC to sell for export the foreign-grown extra long staple cotton acquired from the stockpile at prices not less than world market prices, as determined by the Secretary.

3. Public Law 88-638 directs CCC to make available for sale for export, domestic extra long staple cotton acquired through price support operations at prices not in excess of prices at which cotton of comparable qualities is being offered by other exporting countries.

CCC Credit Program

Under authority of the CCC Charter Act sales of agricultural commodities are made pursuant to the CCC Export Credit Sales Program on a deferred payment basis for periods up to three years. As a general policy the credit period is limited to 12 months for cotton and tobacco and 6 months for all other commodities. Written justification must be made for exceptions to this policy. Interest is charged at the rate announced each month by CCC and runs for the length of the credit period. All sales under the program are made to U. S. exporters who in turn sell and pass on credit to the foreign buyers. For all transactions there is required an assurance of payment by an acceptable bank. In February 1966 the program was revised to permit acceptance of foreign as well as U. S. bank obligations assuring payment.

Title IV, Public Law 480

Title IV, Public Law 480, approved September 1, 1959 provides for long-term supply and dollar credit sales of U. S surplus agricultural commodities. Major objectives of this title are to stimulate and increase the sale of U. S. surplus agricultural commodities for dollars through the extension of credit which will assist in maximizing U. S. dollar exports of such commodities, develop foreign markets for U. S. agricultural commodities and assist in the development of the economies of friendly nations.

Under Title IV of PL 480, the President may enter into long-term supply and credit agreements with the governments of friendly nations and the Secretary of Agriculture may enter into similar agreements with the U. S. or foreign private trade. Under the legislation, such agreements may provide for delivery of U. S. surplus agricultural commodities over periods up to 10 years. Dollar repayment over periods of up to 20 years is authorized.

Interest is charged from the date of last delivery of commodities under the agreement in each calendar year. Rates of interest, as determined by the Secretary of Agriculture, may not be set at less than the minimum rate specified in the Foreign Assistance Act for dollar repayable development loans. This rate is $2\frac{1}{2}\%$ per annum commencing not later than 10 years following the date on which funds are initially made available under the development loan, during which 10 year period the rate of interest shall not be lower than 1% per annum.

To be eligible for export under a Title IV sales agreement the commodities must be agricultural commodities or products thereof produced in the United States and determined by the Secretary of Agriculture to be in surplus in accordance with the PL 480 legislative provisions namely: They must be in excess of domestic requirements, adequate carryover, and anticipated exports for cash dollars

and must be in surplus at the time the commodity is actually exported. Eligible surplus agricultural commodities include those under CCC price support as well as others not under CCC price support.

In accordance with U. S. cargo preference legislation (Public Law 664), not less than fifty percent (50%) of the total tonnage of commodities exported under a Title IV agreement must be shipped on U. S. flag vessels.

A-Government-to-Government Agreements

Program Policies

Country Eligibility. Although the Title IV legislation authorizes sales agreements with the government of any nation friendly to the United States, government-to-government agreements are, as a general rule, limited to the less highly developed countries. Eligibility of any friendly nation is generally determined on the basis of the country's financial status and its ability to undertake purchases of surplus agricultural commodities on a dollar basis. Due consideration is given to the use of the commodities and credit in connection with the country's economic development, the ability of the country to purchase commodities under a Title IV agreement without displacing commercial imports from the U. S. and other friendly supplying countries, and other relevant factors.

Supply and Payment Periods and Interest Rate. The supply period is generally limited to three years. The payment period and interest rate are determined on a case-by-case basis, the general rule being that the payment period and interest rate are set in relation to the country's financial situation, stage of economic development and other similar factors. The legislation provides that payments in dollars may be made in reasonable annual amounts over periods not to exceed 20 years from the date of last delivery of commodities in each calendar year.

The initial payment of principal may be scheduled as late as two years after the date of last delivery of commodities in each calendar year after the agreement. Prepayment of principal and interest is permitted if the other government desires to retire the obligation at a faster rate.

Interest rates under Title IV government-to-government sales agreements are generally related to the country's financial situation. In the case of more highly developed countries with relatively favorable financial positions, the interest rate is generally set at the cost of funds to the U.S. Treasury. In the case of developing countries, it is generally set at the same rate charged in dollar repayable loans for economic development under the Foreign Assistance Act.

Agreements. Title IV agreements set forth the commodity composition, financing terms and conditions, general undertakings and other requirements. Title IV programs as appropriate, include provisions to assure that commercial exports of the United States will be maintained and that the supply of commodities under the agreement do not unduly disrupt world prices of agricultural commodities or normal patterns of commercial trade with friendly countries. The sales agreement also provides that the commodities purchased under the agreement are for domestic consumption within the purchasing country and shall not be transshipped or re-exported. As appropriate, agreements also provide for limitations on exports of the same or like commodities, or primary products thereof, during the period covered by the Title IV agreement.

As a general rule, negotiation of a Title IV agreement includes a formal understanding that the two governments shall agree on the use of the local currency proceeds from the sale of commodities under the agreement. In some cases, this mutual agreement on proceed uses is specifically set forth at the time the agreement is entered into. In others, only a general understanding is reached at the time the agreement is entered into that the two governments shall mutually agree on the use of the local currency sales proceeds with specific understandings for implementation of the general understanding to be worked out at a later date. These understandings, particularly in those instances where interest rates have been set at less than the cost of funds to the U. S. Treasury, generally would include specific understandings providing for mutual agreement with regard to interest rates and other terms of any relending to private or nongovernmental entities of the local currency proceeds from the sale of Title IV commodities within the purchasing country.

B-Private Trade Agreements

Eligibility of Private Trade Entities

Any private trade entity of the United States or friendly foreign countries which otherwise meets program requirements is eligible to enter into an agreement with the Commodity Credit Corporation (CCC). An entity may be an individual, firm, partnership, corporation, cooperative, or association engaged in private enterprise or nongovernmental activity. As a general rule, agreements will be entered into with the private entity which will utilize the benefits of the credit in carrying out projects or programs as set forth in the agreement.

Eligibility of Countries

Under the Title IV legislation exports of surplus agricultural commodities under a private trade agreement may be made to any nation friendly to the United States provided such exports do not displace cash sales which would otherwise be made. In the case of highly industralized countries which are major commercial markets for the United States, it would be difficult, as a general rule, to establish that exports under

a Title IV, PL 480 private trade agreement would be additional to commercial sales. Therefore, it is not comtemplated that favorable consideration can be given to proposals involving export of agricultural commodities to such countries. Commodities under this program may be exported only to countries specified in the agreement and shall not be transshipped or re-exported.

Supply Periods

Supply periods are determined on a case-by-case basis and generally are not authorized for periods in excess of three years. Longer supply periods (within the maximum of 10 years as provided in the legislation) may be authorized where the commodity supply situation permits such longer-term programing and the specific proposal for such longer supply period is otherwise deemed essential to the accomplishment of the project and the purposes of the legislation.

Maintenance of Commercial Sales

Private trade entities are required to provide appropriate assurance that exports under a private trade agreement will not interfere with commercial exports of the U. S. and countries friendly to the U.S. which have an historic record of exports to the country to which exports of commodities under the private trade agreement are to be made. Therefore, exports of commodities under this program to the countries specified in the agreement must be additional to the normal commercial exports of such commodities from the United States and friendly historic supplying nations.

Assurance of Payment

Payment of dollar amounts financed by CCC under private trade agreements shall be secured by assurers determined by CCC to be acceptable to act in this capacity. The security shall be in the form of an irrevocable assurance of payment of the annual installments of principal with interest thereon. Assurers may be United States banks or financial institutions, foreign private banks or financial institutions located in a friendly nation, central banks or governmental financial agencies or the governments of friendly nations. In addition, depending on the particular circumstances, the assurers may be required to also secure performance of other provisions of the agreements. CCC prefers that the assurance of payment by foreign banks or financial institutions be advised by or through a United States bank.

Payment Periods

Payment periods are set on a case-by-case basis, the period for a particular private trade agreement being related to the specific project or projects to be undertaken under the agreement. Under the legislation,

the maximum period over which payments may be made for all deliveries of commodities in a particular calendar year is 20 years from the date of last delivery of any commodity exported under the agreement in such calendar year.

Interest Rates

The interest rate is generally set at the cost of money to the U.S. Treasury for a comparable maturity. The interest rate is fixed at the time the agreement is entered into, such rate continuing for the life of the agreement.

Payment of Principal and Interest

Payment of the principal amount due for commodities and other costs financed by CCC such as ocean transportation must be made in approximately equal annual amounts, the first payment being due on the date specified in the agreement which in no event under the regulations can be set later than December 31 of the year following the calendar year in which the commodities are exported. Subsequent annual payments are due on the anniversary date of the first payment.

Interest on principal amounts financed by CCC covering shipments in each calendar year is charged from the date of last delivery of commodities in each calendar year. Interest on the unpaid balance must be paid annually not later than the date on which the annual payment of principal becomes due.

Purposes for which Credit may be Utilized - The Project

Title IV, PL 480 private trade agreements require that local currency proceeds from the sale of commodities supplied, or other benefits derived from credit extended, under such agreements are to be used only for private enterprises or other nongovernmental projects as specifically set forth in the agreement, which will accomplish one or more of the following objectives: (1) expand dollar exports of U. S. surplus agricultural commodities, (2) develop foreign markets for such commodities, or (3) assist in the private sector of economic development of friendly nations. Relatively short term credit which would provide working capital assistance for foreign importers or users of the commodity to expand their activities and in turn their dollar purchases of U. S. agricultural commodities, is an acceptable project.

Preference is given to projects which will build additional outlets for U. S. agricultural commodities such as facilities for food processing and distribution and other supporting facilities and services essential to efficient and economical marketing.

Additional Information Available

Further information in regard to Title IV program policies and procedures may be obtained from the Office of the General Sales Manager, Foreign Agricultural Service, U. S. Department of Agriculture, Washington, D. C. 20250.

A copy of the Title IV regulations may be obtained from the Program Operations Division, Foreign Agricultural Service, U. S. Department of Agriculture, Washington, D. C. 20250. Requests to be placed on the mailing list for announcements of agreements entered into and issuances of purchase authorizations thereunder should also be addressed to the Program Operations Division.

Section 32 Funds

Long standing authority for encouraging export is found in Section 32 of PL 320, 74th Congress, as amended, which was originally approved on August 24, 1935. This Act appropriates an amount equal to 30 percent of gross customs receipts for each calendar year, for use in the succeeding fiscal year, to "encourage the exportation" and domestic consumption of agricultural commodities and for other purposes. Section 205 of the Agricultural Act of 1956 authorized the appropriation for each fiscal year, beginning with the fiscal year ending June 30, 1957, of $500 million to enable the Secretary of Agriculture to further carry out the provisions of Section 32, subject to all provisions of law relating to the expenditure of funds appropriated by such Section, except the up to 50 percent of the $500 million may be devoted during any fiscal year to any one agricultural commodity or the products thereof. Since January 1, 1950 a carry-over of up to $300 million of unexpended funds has been authorized. Section 32 funds are required to be used principally for perishable "non-basic" commodities other than those receiving mandatory support under the 1949 Act.

Export programs under Section 32 are announced after the Secretary of Agriculture finds that a surplus exists. Export allowances are paid to commercial exporters following the export of privately-owned commodities. Only a small portion of the available Section 32 funds has been used for export allowances in recent years. During a portion of Fiscal Year 1966, Section 32 funds were utilized and are currently being utilized to encourage the export of frozen chickens.

2. BARTER

Without limiting the general authority contained in the Commodity Credit Corporation Charter Act several legislative authorities specifically cover barter by CCC of commodities for strategic materials or for certain other materials, goods, and equipment. Section 4(h) of the Charter Act

authorizes the barter of CCC commodities for strategic and other materials produced abroad. Section 303 of the Agricultural Trade Development and Assistance Act of 1954, as amended, provides that the Secretary shall, whenever he determines that such action is in the best interest of the United States, and to the maximum extent practicable, barter or exchange agricultural commodities owned by the Commodity Credit Corporation for (a) such strategic or other materials of which the United States does not domestically produce its requirements and which entail less risk of loss through deterioration or substantially less storage charges as the President may designate, or (b) materials, goods, or equipment required in connection with foreign economic and military aid and assistance programs, or (c) materials or equipment required in sbustantial quantities for off-shore construction programs. Section 416 of the Agricultural Act of 1949, as amended, authorizes CCC to (a) make its commodities available to any federal agency for use in making payment for commodities not produced in the United States, or (b) barter or exchange such commodities for strategic or other materials as authorized by law. Also see Public Law 765, 83rd Congress, as amended. 1/

Recently, a thorough review of the barter program was made by the Executive Stockpile Committee (membership appointed by the President). Based on recommendations by the Committee, and approved by the President greater emphasis than in the past will be given to the use of barter for the procurement of non-strategic-material items which meet approved program requirements of U. S. Government agencies within funds currently available or within procurement authority which extends over a period of years and for which dollars would normally be spent abroad.

1/ Section 407, Public Law 765, 83rd Congress, as amended, authorizes the Secretary of Defense to construct or acquire by lease or otherwise family housing for occupancy as public quarters in foreign countries through the use of foreign currencies in accordance with provisions of PL 480, or through other commodity transactions of CCC. Reimbursement is made to CCC by the Department of Defense from savings in Quarters Allowance. Section 420 of Public Law 86-149 directs the Department of Defense in carrying out any project authorized by that Act or any other Military Construction Act, to utilize foreign currencies acquired under Public Law 480-83rd Congress to extent available and feasible in lieu of dollars and to reimburse Commodity Credit Corporation for any foreign currencies so utilized.

3. SALES FOR FOREIGN CURRENCIES

Title I, Public Law 480, as amended, authorizes sales of U. S. surplus agricultural commodities for foreign currencies. These sales are made through private trade channels pursuant to Government-to-Government agreements with friendly nations. Public Law 88-638 extended Title I of PL 480 for an additional three years through December 31, 1966 but placed a limitation of $2.5 billion for any one calendar year.

4. TRANSFERS AND DONATIONS

Domestic

There are a number of different authorities under which domestic transfers and donations are made. Purchases are made from private stocks and from CCC inventories under Section 32, Public Law 320, 74th Congress, as amended, and supplemented. This legislation authorizes the donations of agricultural commodities and products for relief and school lunch program purposes.

Section 416 of the Agricultural Act of 1949, as amended, authorizes CCC, in certain circumstances, to donate food commodities acquired through price support programs to the Bureau of Indian Affairs and to federal, state, and private agencies for use in the United States in non-profit school lunch programs and in the assistance of needy persons, and in charitable institutions, including hospitals, to the extent needy persons are served.

Clause (1) of Section 9 of the Act of September 6, 1958 authorizes areas under the jurisdiction of administration of the United States to receive from the Department of Agriculture for distribution, on the same basis as domestic distribution in the United States, surplus commodities donated pursuant to Section 32 of the Act of August 23, 1935, as amended, and Section 416 of the Agricultural Act of 1949, as amended.

Public Law 86-756, as amended by Public Law 87-179, authorizes schools receiving surplus foods from the Department for school lunch purposes to use such foods in training high school students in home economic courses. It also provides that such schools may use the donated surplus foods to train college students if the same facilities and instructors are used to train college students in home economic courses.

Section 407 of the Agricultural Act of 1949, as amended, directs CCC to make available farm commodities or products for use in relieving distress in areas determined by the President of the United States to be acute distress areas because of unemployment or other economic causes and also in connection with any major disaster determined by the President of the United States to warrant assistance under Public Law 875, 81st Congress.

Public Law 87-127 amended Section 407 to permit more expeditious relief, in that the Secretary can make feed owned or controlled by CCC available for foundation herds at not less than 75% of the current support price when it is determined by the Secretary that an emergency exists. Public Law 86-299 permits the sale of such feed in such areas at not less than the current support price for other livestock of persons who cannot obtain sufficient feed without undue financial hardship.

Public Law 654, 84th Congress, directs CCC to make available to the Secretary of Interior grains acquired through price support operations as the Secretary of Interior may requisition for the purpose of preventing crop damage by migratory waterfowl.

To the extent that such quantities are in excess of usual commercial purchases, Section 202 of the Agricultural Act of 1949, as amended, directs CCC to make its stocks of dairy products available to the armed services and to veterans' hospitals without charge, except that such agencies shall pay CCC for the cost of packaging.

Section 210 of the Agricultural Act of 1956 authorizes CCC to donate food commodities acquired through price support programs to federal penal and correction institutions, and to State correction insititutions for minors other than those in which food service is provided for on a fee, contract, or concessional basis.

Public Law 87-152 authorizes the Secretary of Interior to requisition grain from CCC for the purpose of feeding migratory birds when threatened with starvation and authorizes the use of CCC-owned grain by the States for emergency use in the feeding of resident game birds and other resident wildlife.

Foreign

Section 416 of the Agricultural Act of 1949, as amended, authorizes CCC, in certain circumstances, to donate commodities acquired under the price support programs to non-profit voluntary agencies and to intergovernmental organizations for use in the assistance of needy persons and in non-profit school lunch programs outside the United States.

Clause (2) of Section 9 of the Act of September 6, 1958 authorizes Commodity Credit Corporation to purchase products of oilseeds and edible oils and fats and the products thereof and to donate the same to non-profit voluntary agencies, other appropriate agencies of the Federal Government or international organizations for use in the assistance of needy persons and in non-profit school lunch programs outside the United States.

Section 308 of PL 480, as amended, authorizes CCC to donate for foreign relief and foreign non-profit school lunch programs, fats and

oils from its stocks or such quantities of fats and oils purchased by CCC as the Secretary determines will tend to maintain the support levels for cottonseed and soybeans without requiring the acquisition of such commodities under the price support program.

Title II of the Agricultural Trade Development and Assistance Act of 1954, as amended (Public Law 480) directs CCC to make available to the President of the United States surplus agricultural commodities from its stocks for donation to **friendly** nations and friendly but needy populations without regard to the friendliness of their governments to meet famine or other urgent or extraordinary relief requirements. Public Law 88-638 extended the authority contained in Title II through December 31, 1966.

5. PAYMENT-IN-KIND PROGRAMS

Payment-in-kind export programs have been developed through authority of the CCC Charter Act.

Prior to the 1964-65 marketing year, CCC conducted "payment-in-kind" export programs for upland cotton under which subsidy payments were made to exporters who shipped eligible cotton, upon receipt by CCC of satisfactory proof of exportation. In the 1964-66 marketing years, payments are being made to handlers under a two-year program authorized by the Agricultural Act of 1964 (PL 88-297). The program is designed not only to encourage exports of upland cotton by the commercial cotton trade, but also to maintain and expand domestic consumption of upland cotton produced in the United States. CCC makes payments to cotton handlers (exporters, mills, and others, except producers) by actual issuance of certificates or by constructive issuance of certificates (cash advances) on cotton in their inventories, and thereby such handlers incur obligations either to use cotton in domestic consumption or to export cotton. Cotton handlers must satisfy their obligations prior to August 1, 1966, and furnish satisfactory evidence of disposition. The payment rate in the 1964-65 marketing year was 6.50 cents per pound. The payment rate was 5.75 cents per pound for the 1965-66 marketing year. Actual certificates issued were exchanged for cotton in CCC inventory at domestic market prices, as determined by CCC. When cash advances were made, a certificate pool was credited with the value of the certificates. The cotton trade obtained cotton from the pool for cash, at domestic market prices, as determined by CCC. In accordance with the Food and Agriculture Act of 1965, the Department beginning August 1, 1966, established a single price at the world market level for all sales whether for domestic or export use. This eliminated the export payment allowance and payment-in-kind certificates for cotton.

Other payment-in-kind export programs were carried out in the same manner as reported last year.

Public Law 88-26 provided for payments-in-kind to producers for the diversion of corn, grain sorghums, and barley acreage under the Feed Grain Program and for price support payments-in-kind to producers who participate in the program. The producers can redeem their certificates in feed grains from CCC stocks or can obtain a cash payment from CCC if they desire CCC's assistance in the marketing of the certificates. All certificates on which cash payments are made are pooled by CCC and rights to certificates in the pool are sold by CCC for redemptions in feed grains. A similar program for the 1966 through 1969 crops of feed grains was authorized by Title III of the Food and Agriculture Act of 1965.